



# CALIFORNIA STATE PUBLIC WORKS BOARD

ARNOLD SCHWARZENEGGER, GOVERNOR

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## STATE PUBLIC WORKS BOARD October 12, 2009

### MINUTES

#### **PRESENT:**

Mr. Tom Sheehy, Chief Deputy Director, Department of Finance  
Mr. Scott Harvey, Chief Deputy Director, Department of General Services  
Mr. Richard Chivaro, Chief Counsel, State Controller  
Mr. Francisco LuJano, Director Securities Management, State Treasurer's Office

#### **STAFF PRESENT:**

Greg Rogers, Administrative Secretary  
Nathan Brady, Assistant Administrative Secretary  
Brian Dewey, Assistant Administrative Secretary  
Theresa Gunn, Assistant Administrative Secretary  
Chris Lief, Assistant Administrative Secretary  
Stan Hiuga, Budget Analyst  
Randy Katz, Budget Analyst  
Madelynn McClain, Budget Analyst  
Carlos Ochoa, Budget Analyst  
Andrew Ruppenstein, Budget Analyst  
Deborah Cregger, Staff Counsel  
Aurelia Bethea, Executive Secretary

#### **CALL TO ORDER AND ROLL CALL:**

Mr. Sheehy, Chairperson of the Board and Chief Deputy Director of the Department of Finance, called the meeting to order at 10:15 a.m. Mr. Greg Rogers, Administrative Secretary for the Board, called the roll. A quorum was established.

The first order of business was approval and adoption of the Minutes from September 14, 2009. There were no questions or comments.

**A motion was made by Mr. Francisco LuJano and Second by Mr. Richard Chivaro to adopt the minutes from the September 14, 2009 meeting.**

**The minutes were approved by a 3-0 vote.**

**BOND ITEMS:**

Mr. Rogers stated that there were five bond items for consideration this month.

Ms. Gunn reported that the first three Bond Items all relate to the Public Works Board bond sale staff had been working on over the past several months. The bonds, if approved by the Board, would be priced on October 21 and 22, and close on October 29. The total bond issuance is estimated to be \$820.5 million and the proceeds would fund 11 Public Works Board projects for five departments.

**Bond Item #1:** If the Resolution for this Bond Item is adopted, it will authorize the sale of the State Public Works Board Lease Revenue Bonds–2009 Series G, Various Capital Projects, which may be sold as a single series or in two subseries and may include tax exempt bonds or federally taxable Build America Bonds.

The following Public Works Board projects were included in Series G:

1. Department of General Services — Central Plant Renovation (project cost: \$214m )
2. Department of General Services — Marysville Office Building Replacement (project cost: \$75.6m )
3. California Conservation Corps — Camarillo Satellite Relocation (project cost: \$19.2m)
4. Department of Mental Health — New Main Kitchen (project cost: \$27.4m)
5. Department of Corrections — CCI Wastewater Treatment Plant Renovation (project cost: \$29.5m)
6. Department of Corrections — CVSP Heating, Ventilation, and Air Conditioning System (project cost: \$44.3m)
7. Department of Corrections — DVI Wastewater Treatment Plant (project cost:\$40m)
8. Department of Corrections — Central Health Services Facility (project cost: \$142.9m)
9. Department of Veteran Affairs — West Los Angeles Veterans Home (project cost: \$253.6m)
10. Department of Veteran Affairs — Member Service Building Renovation – Yountville Veterans Home (project cost: \$20m)

Ms. Gunn stated that adoption of the Resolution for Bond Item #1 would approve the form of and authorize the execution of: a Supplemental Indenture to the Board's Master Indenture, a Site Lease and Facility Lease for each project, a Continuing Disclosure Agreement; and will authorize the delivery of a Preliminary Official Statement and an Official Statement, as well as other related actions in connection with the issuance, sale and delivery of said revenue bonds. Forms of the documents that you will be approving were included on a disc in your binders. The estimated PAR value of the 2009 Series G bonds is \$789.4 million, with a not to exceed PAR of \$905 million and a not to exceed TIC of 8.75%.

She also stated that Mr. Bob Whalen of Stradling, Yocca, Carlson, and Roth, is available to respond to any questions the Board may have on the Build America Bonds or the multi-department series – both of which are new features for a PWB bond sale. Staff recommended adoption of the Resolution and approval of Bond sale.

Mr. Sheehy asked if we anticipate using Build America Bonds (BAB) for all five Items, to which Ms. Gunn replied, "no" and that BABs will only be used for Series G.

**There were no further or comments or questions from the Board or the public.**

**A motion was made by Mr. LuJano and Second by Mr. Harney to adopt staff recommendations for Bond Item #1. Bond Item #1 was approved by a 4-0 vote.**

Bond Item #2: If the Resolution for this Bond Item is adopted, it will authorize the sale of the State Public Works Board Lease Revenue Bonds—2009 Series H, California State Prison — Monterey County (Soledad), which may be sold as a single series or in two subseries and may include tax exempt bonds or federally taxable Build America Bonds.

Series H includes only 1 project, the 64 bed Mental Health Facility and provide additional improvements at the Salinas Valley State Prison, Soledad, which was financed through the Boards 1994A Lease revenue bonds. These bonds will be designated a related series of bonds to the 1994A bonds as refunded by the 1998C and the 2006D. The project cost is \$29.5 million, the not to exceed PAR is \$37 million and the not to exceed TIC is 7.25%.

Adoption of the Resolution for Bond Item #2 will approve the form of and authorize the execution of: a Supplemental Indenture to the Board's Master Indenture, a second amendment to the Site Lease, a sixth amendment to the Facility Lease, a Continuing Disclosure Agreement; and will authorize the delivery of a Preliminary Official Statement and an Official Statement, as well as other related actions in connection with the issuance, sale and delivery of said revenue bonds. Forms of the documents that you will be approving were included on a disc in your binders. Staff recommended adoption of the Resolution and approval of Bond Item #2.

**There were no comments or questions from the Board or the public.**

**A motion was made by Mr. LuJano and Second by Mr. Harvey to adopt staff recommendations for Bond Item #2. Bond Item #2 was approved by a 4-0 vote.**

Bond Item #3: If approved, the Resolution would authorize the execution of a Supplemental Indenture to make certain amendments to the Master Indenture.

The amendments to the Master Indenture are required in order to modify the tax covenants in the master indenture for federally taxable bonds and federally taxable Build America Bonds or BABs. The BABs were authorized as part of the federal American Recovery and Reinvestment Act of 2009. This program will allow the Board to issue bonds in calendar years 2009 and 2010 as federally taxable bonds that otherwise could be issued as tax-exempt bonds. The Board will receive a subsidy from the federal government for BABs it issues for up to 35 percent of the interest costs associated with the BABs. The master indenture amendments make modifications to address treatment of the BABs subsidy. The BABs may provide an economic advantage to the Board because the federal subsidy could be more than the increased interest costs associated with issuing debt as federally taxable rather than as tax exempt. Staff recommended adoption of the Resolution and approval of Bond Item #3.

**There were no comments or questions from the Board or the public.**

**A motion was made by Mr. LuJano and Second by Mr. Harvey to adopt staff recommendations for Bond Item #2. Bond Item #2 was approved by a 4-0 vote.**

Bond Item # 4 and # 5 are for the Department of Veterans Affairs, Veterans Home in Fresno and the Veterans Home in Redding. The actions would amend the interim financing that was established for the Fresno and Redding the April 13, 2007 SPWB meeting by increasing the interim financing. These increases are requested pursuant to GC Section 15819.70(e) which authorizes the temporary use of the Public Buildings Construction Funds until the federal funds allotted to this project are available. As the federal funds are provided they will be deposited in the Public Buildings Construction Fund to repay the interim financing.

If approved, the requested action would adopt a supplemental resolution for authorizing actions to be taken to provide for interim financing and authorize the sale of bonds, consistent with the project authority. Staff recommended adoption and approval of Bond Items #4 and #5.

Mr. Harvey asked if there is a time limit by which the federal funds must be encumbered to which Ms. Gunn replied once the award is given there is approximately two years in which the funds must be encumbered.

**There were no further comments or questions from the Board or the public.**

**A motion was made by Mr. LuJano and Second by Mr. Harvey to adopt staff recommendations for Bond Item #4 and #5. Bond Item #4 and #5 was approved by a 4-0 vote.**

**CONSENT ITEMS:**

Mr. Rogers reported that the Consent Calendar consists of Items #1 through #9. The Items were as followed:

- 1 request to authorize acquisition [Item 1]
- 1 request to authorize site selection [Item 2]
- 1 request to approve a scope change and approve preliminary plans [Items 3]
- 3 requests to authorize the acquisition of real property through a transfer of title [Items 4, 5, and 6]
- 2 requests to approve preliminary plans [Item 7 and 10]
- 1 request to approve a scope change [Items 8]
- 1 request to approve preliminary plans and approval of a reversion [Item 9]

Mr. Rogers reported that there were two legislative notification letters associated with the Consent Calendar. One letter was related to the scope change for Consent Item #3, the New San Bernardino Court and the other related to the scope change for Consent Item #8, Department of Corrections Statewide Small Management Exercise Yards projects. The review period expired for both letters and no adverse comments were received from the Joint Legislative Budget Committee.

**There were no further or comments or questions from the Board or the public.**

**A motion was made by Mr. Harvey and Second by Mr. Sheehy to adopt staff recommendations for the consent calendar. The Consent calendar was approved by a 2-0 vote.**

**ACTION ITEMS:**

There was one Action Item associated with this month's calendar.

Action Item #1 was for the University of California (UC), Los Angeles Campus, Life Sciences Research and Education Building at Charles R. Drew University of Medicine and Science. If approved, the requested action would make a contingent determination that the requirements of Provision 8 of Line Item 6440-305-6048 of the Budget Act of 2007 have been met and are consistent with the signing message.

Provision 8 requires the submittal of formal agreements between the Regents of the UC and Drew University to the JLBC and Finance at least 45 days before the encumbrance of funds. These agreements are to address the ownership and occupancy of the new facility and the operation of a joint nursing program. In addition, Provision 8 requires the Board to determine that these requirements are met.

Further, the 2007 Budget Act included a signing message for this project. The signing message requires the resolution of legal concerns over the use of general obligation bond funds for this project stating their use may require the state to acquire and maintain ownership of the facility.

UC submitted these agreements several months ago. JLBC and Board staff worked diligently with UC and Drew staff to amend the documents to meet the requirements of the budget act. The JLBC provided their approval for the encumbrance of funds in a letter dated September 28, 2009. However, Board staff are still working with UC staff on what is believed to be the final changes to the agreements that, once made, will make Board staff comfortable that the requirements of Provision 8 are met as well as the conditions of the signing message.

Staff recommended that the Board make a conditional determination that the requirements of Provision 8 have been met and are consistent with the signing message. Further, staff recommended the Board delegate the authority to staff to make the final determination that the requirements of Provision 8 have been met and are consistent with the signing message upon staff approval of the final version of the following documents: Lease Agreement; Operating Agreement; and Lease Subordination, Nondisturbance, and Attornment Agreement.

Ms. Pat Romero, Director of Capitol planning for the UC and Mr. Mervyn Dymally addressed the Board commenting on the project and on the provisional language the Governor included as a signing message were met to allow the project to move forward.

**There were no further or comments or questions from the Board or the public.**

**A motion was made by Mr. Harvey and Second by Mr. Sheehy to adopt staff recommendations for the Action Item. Action Item #1 was approved by a 2-0 vote.**

**OTHER BUSINESS:**

There were no items under other business.

**REPORTABLES:**

There were four reportable items for this months Calendar.

**NEXT MEETING:**

Mr. Rogers reported the next regular meeting was scheduled for **November 16, 2009, at 10:00 am, at the State Capitol, in Room 113.**

There were no comments or questions from the public before adjournment.

The meeting was concluded at 10:50 a.m.